

## Summary of PSSB 6143

*As of March 5, 2010*

Part Description	Explanation	2009-11 Revenue
<b>Part 1. Minimum nexus standards</b>	B&O tax applies to nonresident firms with substantial nexus within WA: (1) \$50K of property, (2) \$50K of payroll, or (3) \$250K of receipts. Gross receipts single factor apportionment for allocating service and royalty income to WA	\$73.1 million
<b>Part 2. Abusive tax transactions</b>	Allows the Department of Revenue (DOR) to disregard transactions that lack economic substance beyond the tax benefits. Does not affect transactions initiated before July 1, 2010 that are based on a determination or other documents from DOR or to completed field audits for period before July 1, 2010. Closes methods used to avoid use tax and real estate excise tax.	\$13.6 million
<b>Part 3. Direct seller B&amp;O exemption</b>	Eliminates the B&O exemption for firms that sell into Washington using direct seller's representatives. For periods prior to April 1, 2010 limits the exemption to consumer products. This is also known as the DOT Foods issue.	\$154.7 million
<b>Part 4. B&amp;O tax on manufacturing of certain agricultural products</b>	Limits the B&O preferential tax rate (0.138%) for meat processing to the manufacturing of perishable meat products, dehydrated , cured, or smoked meat products, and hides, tallow, and other meat by-products. Requires the final product using the special B&O tax treatment for fruit and vegetable processing to be at least 50% fruit and vegetables.	\$4.8 million
<b>Part 5. B&amp;O tax on corporate directors</b>	Disallows the employee exemption from B&O tax for corporate directors. Applies B&O tax at 1.5%. Provides forgiveness of tax for periods before July 1, 2010.	\$2.1 million
<b>Part 6. Foreclosure exemption from REET</b>	Limits the real estate excise tax exemption for transfers made pursuant to foreclosure. Sales of the property to a third party would be subject to tax. When a transfer or conveyance pursuant to a judicial or nonjudicial foreclosure or enforcement of a judgment is a sale the tax levied under this chapter is the obligation of the buyer.	\$6.6 million
<b>Part 7. Tax Debts - Corporate Officer Liability</b>	Allows the Department of Revenue to pursue uncollected taxes of a terminated or insolvent limited liability business from the chief executive or chief financial officer, or other persons responsible for paying the taxes.	\$4.5 million

<b>Part 8. Repealing the B&amp;O Tax Job Credit for International Service Activities</b>	<b>Repeals an underutilized B&amp;O tax credit for international service activities. Repeals the B&amp;O job creation tax credit for job creation in international services activities (legal, accounting, tax, engineering, architectural, consulting ...) provided to persons domiciled outside the US or for use outside the US. Currently available only in CEZ and international services districts.</b>	<b>\$0</b>
<b>Part 9. Eligibility for the Rural County Programs</b>	<b>Clarifies that a business claiming the sales and use tax deferral under ch. 82.60 RCW and B&amp;O credits under ch. 82.62 RCW are allowed to claim the incentives for computer programming, but only when it is used to create a new item for sale.</b>	<b>\$0</b>
<b>Part 10. Limiting the B&amp;O Deduction for Dues and Fees</b>	<b>Current law provides a business and occupation (B&amp;O) tax deduction for dues and initiation fees; this would only allow the deduction for certain nonprofit organizations. They include those under 501(c)(3), (c)(4), (c)(5), (c)(6), (c)(8), (c)(10), or (c)(19).</b>	<b>\$1 million</b>
<b>Part 11. Limited the Bad Debt Deduction</b>	<b>In 1994, the Washington State Supreme Court interpreted the B&amp;O deduction for bad debts to include bad debts assigned to a person purchasing an installment sales contract. This Part would expressly limit the deduction to the seller.</b>	<b>\$1.5 million</b>
<b>Part 12. Brokered Natural Gas</b>	<b>The brokered natural gas use tax is imposed at the location where the gas is burned by the taxpayer or stored in a facility of the taxpayer for later consumption. This change does not affect the state, but will increase revenues to local governments imposing the tax.</b>	<b>\$0</b>
<b>Part 13. Limiting Community Solar Incentives</b>	<b>For community solar projects, the renewable cost recovery program is limited to those community solar projects generating no more than 75 kilowatts of electricity.</b>	<b>\$0</b>
<b>Part 14. Sales Tax Exemption for Livestock Nutrient Equipment and Facilities</b>	<b>Suspends the sales and use tax exemption for equipment and facilities used for handling livestock nutrients at dairies and livestock feeding operations for three years.</b>	<b>\$1.6 million</b>
<b>Part 15. PUD privilege tax clarification</b>	<b>Clarifies that "gross revenue" for purpose of the tax, applies to all charges for electricity including recurring charges as a condition of receiving the electricity.</b>	<b>\$1.2 million</b>
<b>Part 16. Repealing the sales tax exemption for coal</b>	<b>The sales and use tax exemption for coal used at a coal-fired thermal electric generation facility is repealed.</b>	<b>\$10 million</b>

<b>Part 17. Exemption for machinery used to create electricity from wind.</b>	<b>In order to qualify for the exemption for machinery and equipment used to create energy from wind, a producer must either be a local utility or someone contracting with a local utility for the sale of power.</b>	<b>\$7.8 million</b>
<b>Part 18. Repeal of B&amp;O Exemption for Property Management Salaries</b>	<b>Repeals the B&amp;O exemption for amounts received by a property management company from the owner of a property for gross wages and benefits paid to on-site personnel.</b>	<b>\$8.3 million</b>
<b>Part 19. Sales and Use tax on Bottled Water</b>	<b>Expressly imposes sales tax (and thereby use tax) on sales of bottled water. Provides a sales tax exemption for persons purchasing bottled water with a prescription</b>	<b>\$30.0 million</b>
<b>Part 20. Temporary B&amp;O Tax Surcharge on Service Businesses and Increasing the Small Business Tax Credit</b>	<b>From July 1, 2010 through June 30, 2013, an additional tax rate of 0.25% is added to the B&amp;O tax on service businesses currently taxed at the rate of 1.5%. For any businesses subject to the additional B&amp;O tax, the maximum small biz tax credit is increased from \$35/mo to \$70/mo.</b>	<b>\$170.8 million</b>
<b>Part 21. Temporary 0.3% sales/use tax and Working Families Tax Credit</b>	<p><b>From June 1, 2010 until June 30, 2013, an additional sales and use tax of 0.3% is imposed.</b></p> <p><b>An amount of \$313,307,000 is appropriated to the Education Legacy Trust Account for:</b></p> <ul style="list-style-type: none"> <li><b>state's levy equalization program, all-day kindergarten, and the state need grant.</b></li> </ul> <p><b>The Working Families' Tax Exemption is amended.</b></p> <ul style="list-style-type: none"> <li><b>For remittances made in 2011 (for taxes paid in 2010), the exemption is the greater of \$25 or a 5 percent of the EITC granted, prorated for the seven calendar months of 2010 in which the additional tax is imposed.</b></li> <li><b>For remittances made in 2012, the exemption is the greater of \$25 or 5 percent of the EITC granted.</b></li> <li><b>For remittances made in 2013 and thereafter, the exemption is the greater of \$50 or 10 percent of the EITC granted. For remittances provided in the fiscal year 2015 and thereafter, DOR must limit its ongoing costs to administer the program to 5 percent of the total exemptions provided each year.</b></li> </ul>	<b>\$313.3 million</b>

